



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Adopt a Resolution Amending the FY 2018/19 Fee Schedule to Modify Water and Sewer Connection Fees for Hotel Properties and Find that the Action is Exempt from CEQA

BACKGROUND

The City of Sunnyvale Fee Schedule imposes connection fees for both water and wastewater utilities. Connection fees are assessed to property developers to cover the incremental demands placed on the water and sewer systems by new developments. The fees are reviewed periodically to ensure that they are in line with the cost of buying into the City's utility systems. The most recent assessment was completed by Bartle Wells Associates in 2015.

The rooms in Hotel developments are currently charged the same rate as multi-family residential properties on a per unit basis. In response to a request to review the basis for this fee, staff reached out to Bartle Wells Associates to reevaluate the fees and identify if hotels should be broken out as a separate fee category. The updated analysis showed that an adjustment to the capacity fees for hotels is warranted.

EXISTING POLICY

Council Policy 7.11.1b.2 states that "New improvements or expanded capacity in any utility should be funded by those benefiting through specific charges, such as connection fees, impact fees, or mitigation fees."

ENVIRONMENTAL REVIEW

The action being considered does not require review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4) as it is government funding mechanism that does not involve a commitment to any specific project that may result in a potential significant environmental impact.

DISCUSSION

In late 2015, Bartle Wells Associates completed a Water and Sewer Capacity Fee Study for the City's Finance Department. The report recommended updated water and sewer capacity charges designed to equitably recover the costs of facilities and assets for new developments. The recommended changes were based on an average cost approach under which new or expanded connections would fund the proportionate share of costs for capacity needed in existing and planned water and wastewater system facilities and assets.

Staff has previously applied the multi-family rate to hotel rooms in hotel developments when calculating Water and Sewer Connection fees. This rate was based on average water consumption in multi-family dwellings in Sunnyvale on the basis that hotel rooms are similar in usage. Staff

received an inquiry from a customer asking for a review of the consumption per room for Hotels, arguing that due to water saving devices and the low number of occupants per room, hotel rooms use less than the average multi-family dwelling. Staff reached out to Bartle Wells to conduct an analysis to look at hotel consumption specifically as it compares to multi-family residential consumption. To accomplish this, the consultant analyzed actual consumption data for both multi-family and hotel properties. The consultant found that hotel units on average consume approximately 75% of the water than multi-family residential units and therefore place less demand on the sewer system. Based on this analysis, staff is proposing a new classification for hotels be added to the Water and Sewer Connection fee section of the City's fee schedule. The current rates listed below are the current multi-family rates and the new proposed rates for hotel properties.

	<u>Current</u>	<u>Proposed</u>
Water Capacity Fee (Hotel) per Room	\$3,502	\$2,060
Wastewater Capacity Fee (Hotel) per Room	\$5,281	\$4,276

These revised fees would only be applied to hotel rooms without full kitchen facilities. The low occupancy residential rate will continue to apply to hotel rooms that contain facilities for both cooking and washing dishes, such as a kitchenette with a stovetop, microwave, and dishwasher. Such units are typically found in "extended stay" hotels where the room sizes and functionality of the rooms, as well as the water consumption, are comparable to a low occupancy residential unit. The capacity fees for the other areas of the hotel such as restaurants or other public spaces would continue to be assessed at the appropriate commercial rate.

Because the City is reducing an existing fee, the City is not required to comply with the noticing and protest procedures that apply to the adoption of utility rates and fees.

FISCAL IMPACT

Connection fee revenue is allocated to each respective utility enterprise fund. The current twenty year financial plans anticipate two new hotel properties in the short term. The revenue from the first project, containing 186 rooms, is anticipated to be received during the current fiscal year. The revised rates would result in a reduction in the water capacity charge of approximately \$268,000 and a reduction to the wastewater capacity charge of approximately \$187,000. The revenue from the second project, containing 180 rooms, is anticipated to be received in Fiscal Year 2019/20. The revised capacity charges would result in a reduction of the anticipated capacity fee revenue of approximately \$260,000 for water and \$181,000 for wastewater.

The long-term impact is unknown as hotel development does tend to be volatile and move with economic cycles.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Find that the Action is Exempt from CEQA pursuant to CEQA Guidelines Section 15378(b)(4) and Amend the FY 2018/19 Fee Schedule to Modify Water and Sewer Connection Fees for Hotel Properties
2. Do not Amend the FY 2018/19 Fee Schedule to Modify Water and Sewer Connection Fees for Hotel Properties
3. Take other action as directed by the City Council.

STAFF RECOMMENDATION

Alternative 1: Find that the Action is Exempt from the California Environmental Quality (CEQA) Act pursuant to CEQA Guidelines Section 15378(b)(4) and Amend the FY 2018/19 Fee Schedule to Modify Water and Sewer Connection Fees for Hotel Properties

Prepared by: Stephen Napier, Administrative Services Manager

Reviewed by: Timothy J. Kirby, Director of Finance

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Water & Sewer Demand Per Hotel/Motel Room
2. Resolution to Modify the City's Fees, Rates and Charges for Water and Sewer Connection Fees for Hotel Properties in Sunnyvale